



# MAYOR & COUNCIL COMMUNICATION

August 5, 2014

Subject: Adoption of Development (Impact) Fee Land Use  
Assumptions Report and Infrastructure Improvements Plans  
for the following Facilities: Streets, Parks and Recreation,  
Police and Fire (City Wide)

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**Issue** – In compliance with State requirements to update the City’s development (impact) fee program, the attached five reports are presented for Mayor and Council adoption. The Land Use Assumptions Report and four Infrastructure Improvements Plans were posted for public comment on or prior to May 1, 2014 on the City’s website at <http://www4.tucsonaz.gov/integrated-planning/development-impact-fee-program-update>. A Public Hearing on the Reports was held June 30, 2014. Since that time, City staff, including the City Attorney’s Office, have reviewed the comments made and multiple stakeholder meetings have been held, shaping the final reports. A list of comments received and responses, along with a draft fee schedule, are attached to this communication.

**City Manager's Office Recommendation** – It is recommended that the Mayor and Council adopt the attached Land Use Assumptions and Infrastructure Improvement Plans Reports. In addition Mayor and Council input is requested regarding the attached draft fee schedule that will need to be posted for public comment by August 8, 2014.

**Background** – Development fees are a funding mechanism used to help cover the cost of facilities needed to serve new development. Because they are considered a development regulation and not a tax, there must be a beneficial nexus between the development that pays the fees and the infrastructure built with those fee revenues. The fees can only be used to construct new facilities, or expand existing facilities to provide service to new development. Fees may not be used for repair, replacement, operation or maintenance of existing facilities.

The City has had development (impact) fees in place since 2004 for streets and parks, and since 2007 for police and fire. The City is currently in the process of updating its impact fee program to comply with SB 1525, which was signed into law by Governor Brewer in 2011. Curtis Lueck and Associates (CLA) has been providing consultant assistance to staff since October 2013 to bring the City’s program into compliance.

On June 3, 2014, the Mayor and Council adopted the following projected schedule to establish new development (impact) fees:

Post notice and reports on website ..... on or prior to May 1, 2014  
(at least 60 days prior to public hearing)  
Public hearing, Land Use Assumptions..... June 30  
and Infrastructure Improvement Plans  
Adopt Land Use Assumptions and..... August 5  
Infrastructure Improvement Plans  
(30 to 60 days after public hearing)

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Adoption of Development (Impact) Fee Land Use Assumptions Report and Infrastructure Improvements Plans for the following Facilities: Streets, Parks and Recreation, Police and Fire (City Wide)

Suspend collection of development fees..... August 1  
Post notice, report and ordinance on website.....August 8  
(at least 30 days prior to public hearing)  
Public hearing, Development Fee Reports..... September 9  
and Development Fee Ordinance  
Adopt Fees and Ordinance..... October 9  
(30 to 60 days after public hearing)  
Begin assessing new development fees..... December 23, 2014  
(75 days after adoption)

**Developing the Final Reports** - Between June 30, 2014, when the public hearing was held on the Reports and July 29, 2014 when the final versions were posted, City staff, including the City Attorney's Office, have reviewed all comments received, including the issues raised in the five written communications from SAHBA's consultants. Each comment was reviewed and analyzed from a legal and factual perspective to determine the appropriate response. Multiple stakeholder meetings were held to discuss the comments and proposed responses. Ultimately, certain changes were made to the final reports to ensure statutory compliance that staff believes make them more accurate and ensure legal compliance. A list of comments received and staff responses is provided in Attachment 1.

**Land Use Assumptions Report** – The statute defines land use assumptions as “... *projections of changes in land uses, densities, intensities and population for a specified service area over a period of at least ten years and pursuant to the general plan of the municipality.*”(ARS §9-463.05(T)(5). The final Land Use Assumptions Report is attached (Attachment 2). A small number of comments were received about this report with staff responses provided in Attachment 1. Upon review of these comments, no changes were deemed necessary to this report.

**Infrastructure Improvements Plans (IIP) Reports** – Infrastructure improvements plan is defined as “... *a written plan that identifies each necessary public service or facility expansion that is proposed to be the subject of a development fee and otherwise complies with the requirements of the section, and may be the municipality's capital improvements plan*” (ARS §9-463.05(T)(5). The reports must be prepared by qualified professionals licensed in the state, and must include an inventory of existing infrastructure, an analysis of the existing level of service provided, and a list of new projects or facilities needed to serve the projected new development. The projected number of new facility service units must also be identified. Project lists in the IIPs were prepared by departments and drawn from existing IIPs, the five-year capital improvements program (CIP), and a list of unfunded needs. The IIPs also include preliminary fee calculations.

The final Infrastructure Improvement Plans Reports for streets, parks and recreation, police and fire are included as exhibits to the attached Resolution. Certain changes were made to all of these reports based on comments received. The specific comments and responses are detailed in Attachment 1.

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**Next Steps** – Beginning August 1, 2014 staff will cease to collect development fees, as required by State law. Following adoption of the Land Use Assumptions and Infrastructure Improvement Plans Reports, staff will post the Notice of Intention to assess development fees, along with the proposed fee schedule and the draft Ordinance establishing the new program. Staff will continue to coordinate with stakeholders groups, including the Southern Arizona Homebuilders' Association, the Metropolitan Pima Alliance, the City's Pedestrian Advisory Committee, Living Streets Alliance, the Multi-housing Association, and other interested parties. Staff will also continue working with affected City Departments to implement compliant practices that will satisfy State monitoring, oversight and reporting requirements.

**Legal Considerations** - Modifications to the City's development fee program are required to comply with the provisions of state law. Based upon the schedule described above, the current estimated date for collection of development impact fees in compliance with state law is December 23, 2014.

**Budget Considerations** – The budgeting practice for development impact fees is to allocate actual amounts collected as of December 31<sup>st</sup> to projects in the *following* fiscal year.

Respectfully submitted,



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Interim City Manager

MD/NEG  
OFFICE OF INTEGRATED PLANNING

Attachments:  
Attachment 1: List of Public Comments and Responses  
Attachment 2: Draft Development Fee Schedule  
Resolution